

TOWNSHIP OF GRANT  
Mason County, Michigan  
53-1060  
GENERAL PURPOSE FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

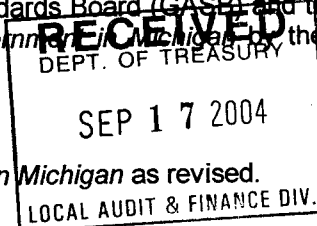
Year Ended March 31, 2004

# AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Grant	<b>County</b> Mason
<b>Audit Date</b> March 31, 2004	<b>Opinion Date</b> August 20, 2004	<b>Date Accountant Report Submitted to State:</b> August 20, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> <i>Campbell, Kusterer &amp; Co., P.C.</i>			

TOWNSHIP OF GRANT  
Mason County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

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August 18, 2004

## INDEPENDENT AUDITOR'S REPORT

To the Township Board  
Township of Grant  
Mason County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Grant, Mason County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Grant's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township has not maintained a record of its general fixed assets, and accordingly, a statement of general fixed assets, required by generally accepted accounting principles, is not included in the general purpose financial statements.

In our opinion, except for the omission of the financial statement described above results in an incomplete presentation, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Grant, Mason County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Grant, Mason County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF GRANT  
Mason County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
<u>Assets</u>	<u>General</u>	<u>Agency</u>	
Cash in bank	204 787 03	10 00	204 797 03
Taxes receivable	3 187 23	-	3 187 23
Due from other funds	10 00	-	10 00
<b>Total Assets</b>	<u>207 984 26</u>	<u>10 00</u>	<u>207 994 26</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	1 169 24	-	1 169 24
Due to other funds	-	10 00	10 00
<b>Total liabilities</b>	<u>1 169 24</u>	<u>10 00</u>	<u>1 179 24</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	206 815 02	-	206 815 02
<b>Total fund equity</b>	<u>206 815 02</u>	<u>-</u>	<u>206 815 02</u>
<b>Total Liabilities and Fund Equity</b>	<u>207 984 26</u>	<u>10 00</u>	<u>207 994 26</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GRANT  
Mason County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES  
Year Ended March 31, 2004

EXHIBIT B  
Page 1

Governmental  
Fund Type

General

Revenues:

Property taxes	
Licenses and permits	25 905 78
State revenue sharing	955 50
Charges for services:	61 568 50
Zoning fees	
Property tax administration	3 210 80
Interest	10 182 72
Miscellaneous	1 905 65
	<u>4 518 86</u>

Total revenues

108 247 81

Expenditures:

Legislative:

Township Board

1 320 00

General government:

Supervisor

4 500 00

Assessor

7 933 02

Attorney

276 95

Clerk

4 500 00

Board of Review

630 00

Treasurer

7 060 00

Building and grounds

12 104 45

Cemetery

6 792 30

Unallocated

9 857 00

Public safety:

Fire protection

12 131 16

Planning and zoning

2 730 60

Liquor law enforcement

382 00

Public works:

Highways and streets

25 926 16

Street lighting

1 068 87

Other:

Insurance

3 739 00

Retirement

2 906 25

Payroll taxes

440 85

Total expenditures

104 298 61

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GRANT  
Mason County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B  
Page 2

	<u>Governmental Fund Type</u>
	<u>General</u>
Excess of revenues over expenditures	3 949 20
Fund balance, April 1	<u>202 865 82</u>
Fund Balance, March 31	<u>206 815 02</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GRANT  
Mason County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND EXHIBIT C  
Year Ended March 31, 2004 Page 1

	General Fund		
	Budget	Actual	Over (Under) Budget
Revenues:			
Property taxes	28 000 00	25 905 78	(2 094 22)
Licenses and permits	2 000 00	955 50	(1 044 50)
State revenue sharing	45 550 00	61 568 50	16 018 50
Charges for services:			
Zoning fees	1 000 00	3 210 80	2 210 80
Property tax administration	-	10 182 72	10 182 72
Interest	1 300 00	1 905 65	605 65
Miscellaneous	7 100 00	4 518 86	(2 581 14)
Total revenues	<u>84 950 00</u>	<u>108 247 81</u>	<u>23 297 81</u>
Expenditures:			
Legislative:			
Township Board	1 700 00	1 320 00	(380 00)
General government:			
Supervisor	4 500 00	4 500 00	-
Elections	1 000 00	-	(1 000 00)
Accounting	1 500 00	-	(1 500 00)
Assessor	11 000 00	7 933 02	(3 066 98)
Attorney	4 000 00	276 95	(3 723 05)
Clerk	4 500 00	4 500 00	-
Board of Review	1 000 00	630 00	(370 00)
Treasurer	7 060 00	7 060 00	-
Building and grounds	15 054 67	12 104 45	(2 950 22)
Cemetery	6 792 30	6 792 30	-
Unallocated	12 253 14	9 857 00	(2 396 14)
Public safety:			
Fire protection	17 000 00	12 131 16	(4 868 84)
Planning and zoning	2 730 60	2 730 60	-
Liquor law enforcement	400 00	382 00	(18 00)
Public works:			
Highways and streets	43 019 29	25 926 16	(17 093 13)
Street lighting	1 500 00	1 068 87	(431 13)

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF GRANT  
Mason County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND EXHIBIT C  
Year Ended March 31, 2004 Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (continued):			
Other:			
Insurance	4 000 00	3 739 00	(261 00)
Retirement	3 000 00	2 906 25	(93 75)
Payroll taxes	<u>500 00</u>	<u>440 85</u>	<u>(59 15)</u>
Total expenditures	<u>142 510 00</u>	<u>104 298 61</u>	<u>(38 211 39)</u>
Excess (deficiency) of revenues over expenditures	(57 560 00)	3 949 20	61 509 20
Fund balance, April 1	<u>199 913 04</u>	<u>202 865 82</u>	<u>2 955 78</u>
Fund Balance, March 31	<u>142 353 04</u>	<u>206 815 02</u>	<u>64 464 98</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GRANT  
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Grant, Mason County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Grant. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

TOWNSHIP OF GRANT  
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting (continued)

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was .8194 mills and the taxable value was \$28,844,822.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

TOWNSHIP OF GRANT  
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.

TOWNSHIP OF GRANT  
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>204 797 03</u>

TOWNSHIP OF GRANT  
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 2 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	108 574 65
Uninsured and Uncollateralized	<u>96 608 69</u>
Total Deposits	<u><u>205 183 34</u></u>

The Township of Grant did not have any investments as of March 31, 2004.

Note 3 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>10 00</u>	Current Tax Collection	<u>10 00</u>
Total	<u><u>10 00</u></u>	Total	<u><u>10 00</u></u>

Note 4 – Retirement Plan

The Township has a defined contribution pension plan covering all elected officials. The Township contributes fifteen percent of each participating employee's wages to the plan. During the year ended March 31, 2004, the Township's retirement contribution was \$2,906.25.

Note 5 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF GRANT  
Mason County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 6 – Building Permits

The Township of Grant does not issue building permits. Building permits are issued by the County of Mason.

Note 7 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF GRANT  
Mason County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS  
AND LIABILITIES – ALL AGENCY FUNDS  
Year Ended March 31, 2004

EXHIBIT D

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in bank	5 017 22	953 151 22	958 158 44	10 00
Total Assets	<u>5 017 22</u>	<u>953 151 22</u>	<u>958 158 44</u>	<u>10 00</u>
<u>Liabilities</u>				
Due to other funds	13 00	32 381 57	32 384 57	10 00
Due to others	5 004 22	920 769 65	925 773 87	-
Total Liabilities	<u>5 017 22</u>	<u>953 151 22</u>	<u>958 158 44</u>	<u>10 00</u>



TOWNSHIP OF GRANT  
Mason County, Michigan

CURRENT TAX COLLECTION FUND STATEMENT  
OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended March 31, 2004

EXHIBIT E

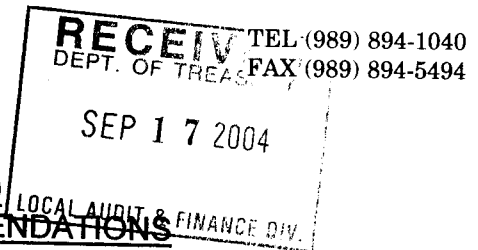
Cash in bank – beginning of year	<u>5 017 22</u>
Cash receipts:	
Property tax	943 659 95
Property tax administration fees	9 321 02
Dog licenses	170 25
Total cash receipts	<u>953 151 22</u>
Total beginning balance and cash receipts	<u>958 168 44</u>
Cash disbursements:	
Mason County	361 290 22
Mason County Schools	232 608 04
Mason County Rural Fire Department	28 140 38
Mason – Lake ISD	71 164 32
Manistee ISD	18 618 67
West Shore Community College	89 373 30
Manistee Public Schools	107 054 86
Freesoil Community Schools	365 93
State of Michigan	13 568 54
Township General Fund	32 384 57
Refunds	3 589 61
Total cash disbursements	<u>958 158 44</u>
Cash in Bank – End of Year	<u>10 00</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

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BAY CITY, MICHIGAN 48707



## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

August 20, 2004

To the Township Board  
Township of Grant  
Mason County, Michigan

We have audited the financial statements of the Township of Grant, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Grant in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board  
Township of Grant  
Mason County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board  
Township of Grant  
Mason County, Michigan

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Grant will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

#### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer: Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants